

This document is being re-recorded to reflect Bank One, NA, with its main office in Chicago, Illinois, a national banking association, as successor by merger to Bank One, Louisiana, National Association, whose address is 451 Florida Boulevard, Baton Rouge, Louisiana 70801

STATE MS.-DESOTO CO. *BC*

Landmark of DeSoto
DeSoto County, Mississippi

Nov 21 4 02 PM '02

THIS INSTRUMENT WAS PREPARED BY:

Julia H. Terry, Esq.
McGlinchey Stafford, PLLC
643 Magazine Street
New Orleans, Louisiana 70130-3477
(504) 586-1200

BK 1607 PG 588
W.E. DAVIS CH. CLK.

To the Chancery Clerk of DeSoto County, Mississippi:

The real property described herein is situated in the SE Quarter of the SE Quarter of Section 33, Township 1 South, Range 8 West of DeSoto County, Mississippi.

SUBORDINATION AND CONSENT

THIS SUBORDINATION AND CONSENT (this "Agreement") is entered into effective as of the 21st day of August, 2002, by and between **DESOTO COMMUNITY CARE CENTER, LLC**, a Mississippi limited liability company whose permanent mailing address is declared to be 197 East Oakridge Park, Metairie, Louisiana 70005 ("Operator"), **BANK ONE, NA**, with its main office in Chicago, Illinois, a national banking association successor by merger to Bank One, Louisiana, National Association, whose address is 451 Florida Boulevard, Baton Rouge, Louisiana 70801 ("Lender"), **MAGNOLIA ANCILLARY SERVICES, INC.**, a Mississippi corporation whose permanent mailing address is declared to be 763 Avery Boulevard North, Ridgeland, Mississippi 39157 ("Magnolia Ancillary"); and **MAGNOLIA MANAGEMENT CORPORATION**, a Louisiana corporation whose permanent mailing address is declared to be 763 Avery Boulevard North, Ridgeland, Mississippi 39157 ("Magnolia") (Magnolia Ancillary and Magnolia are hereinafter collectively referred to as "Manager").

WITNESSETH:

WHEREAS, Mississippi Extended Care Centers, Inc., a Mississippi corporation ("MECC") is the owner of certain real property located in DeSoto County, Mississippi and particularly described in **Exhibit A** attached hereto (said property, together with all buildings, fixtures and other improvements located thereon, the "Property"); and

WHEREAS, Operator entered into a certain management agreement more specifically described on **Exhibit B** attached hereto and made a part hereof (the "Contract"), with Manager to perform certain management services (the "Services") in connection with the operation of a nursing home and/or assisted living facility located on the Property; and

WHEREAS, in return for Manager's performance of the Services, Operator has agreed to pay Manager certain fees ("Fees"), as more particularly set forth in the Contract; and

BK 1575PG0138

BK 1607PG0589

STATE MS.-DE SOTO CO. *mc*
FILEDOCT 2 3 43 PM '02 *mc* *0-*BK 1575 PG 138
W.E. DAVIS CH. CLK.Landmark of DeSoto
DeSoto County, Mississippi

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WITNESSETH:

WHEREAS, Mississippi Extended Care Centers, Inc., a Mississippi corporation ("MECC") is the owner of certain real property located in DeSoto County, Mississippi and particularly described in **Exhibit A** attached hereto (said property, together with all buildings, fixtures and other improvements located thereon, the "Property"); and

WHEREAS, Operator entered into a certain management agreement more specifically described on **Exhibit B** attached hereto and made a part hereof (the "Contract"), with Manager to perform certain management services (the "Services") in connection with the operation of a nursing home and/or assisted living facility located on the Property; and

WHEREAS, in return for Manager's performance of the Services, Operator has agreed to pay Manager certain fees ("Fees"), as more particularly set forth in the Contract; and

WHEREAS, pursuant to a loan agreement dated October 2, 2000, by and between MECC and Lender, Lender agreed to make a loan to MECC in the amount of Two Million Five Hundred Thousand and No/100 Dollars (\$2,500,000.00) (the "MECC Loan"), as evidenced by that certain Promissory Note dated October 2, 2000, made by the MECC to the order of the Lender, in the principal amount of the MECC Loan and being due and payable in full on October 1, 2002, which note was amended on December 1, 2001, to reflect, *inter alia*, a reduction in the principal amount thereof and an extension of the maturity date to January 1, 2007 (collectively, the "MECC Note"); and

WHEREAS, the MECC Note is secured by a deed of trust, dated October 2, 2000, granted by MECC for the benefit of Lender and recorded in Book 1256 at Page 577 in the office of the Chancery Clerk of DeSoto County, Mississippi, which deed of trust was modified by that certain Extension Agreement dated December 31, 2001, executed by and between MECC and Lender, recorded in Book 1446 at Page 332 of the land records of the aforesaid Chancery Clerk (said deed of trust, as modified by said Extension Agreement, hereinafter referred to as the "MECC Deed of Trust"), which MECC Deed of Trust is now a lien on the Property; and

WHEREAS, in addition to the MECC Loan, Lender has made other loans to affiliates of MECC, namely, Community Extended Care Centers, Inc., a Mississippi corporation ("CECC") and Louisiana Extended Care Centers, Inc., a Louisiana corporation ("LECC") (which loans, together with the MECC Loan, are hereinafter referred to collectively as the "Affiliate Loans"); and

WHEREAS, on even date herewith, Lender, MECC, CECC, and LECC agreed to consolidate the Affiliate Loans into a single loan (the "Consolidation Loan"), made by Lender, in favor of Lessor, CECC, and LECC, as co-borrowers (the "Consolidation Borrowers"), in the amount of TWENTY-FOUR MILLION EIGHT HUNDRED TWENTY-FOUR THOUSAND NINE HUNDRED ONE AND 62/100 DOLLARS (\$24,824,901.62), pursuant to the terms and conditions of that certain Amended and Restated Loan Agreement (the "Consolidation Loan Agreement") of even date herewith, by and between Lender and the Consolidation Borrowers, as evidenced by that certain promissory note (the "Consolidation Note") of even date therewith, made by the Consolidation Borrowers to the order of Lender, in the principal amount of the Consolidation Loan, and being due and payable on August 21, 2005, which Consolidation Loan amount represents the total outstanding principal and interest due under the Affiliate Loans as of the date hereof; and

WHEREAS, as further security for the Consolidation Loan, MECC and Lender have amended the MECC Deed of Trust to include the indebtedness evidenced by the Consolidation Note and which amendment has or will be filed in the land records of DeSoto County, Mississippi (said amendment, together with the MECC Deed of Trust, hereinafter referred to as the "Deed of Trust"); and

WHEREAS, in connection with the Consolidation Loan, Lender will require the execution of various mortgages, pledges, deeds of trust, assignments, security agreements, amendments, guaranties, and certificates (said documents, including this Agreement, the Consolidation Note, the Consolidation Loan Agreement, the Deed of Trust, and any other documents, whether now or hereafter existing, executed in connection with the Consolidation Loan, together with any extensions, modifications and renewals thereof, hereinafter collectively referred to as the "Consolidation Loan Documents");

WHEREAS, as a condition precedent to the Consolidation Loan, Lender has required Operator to execute this Agreement and Manager to consent to this Agreement and to subordinate Manager's Fees to the lien of the Consolidation Loan Documents.

NOW, THEREFORE, in consideration of the Consolidation Loan and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Operator and Manager, intending to be legally bound, hereby agrees as follows:

1. Operator's Covenants. Operator hereby covenants that Operator will not, without the prior written consent of Lender, said consent not to be unreasonably withheld.

1.1. cancel or terminate the Contract or accept a surrender thereof;

1.2. modify, amend or otherwise change any provision of the Contract, either orally or in writing;

1.3. consent to an assignment of Manager's interest in the Contract which would relieve the Manager (or any guarantor or surety of Manager's performance under the Contract) of liability for the performance of its other obligations thereunder;

1.4. assign, pledge or otherwise encumber any of the Contract.

Any of the above acts, if done without the prior written consent of Lender, shall be null and void. Operator further covenants with Lender that Operator will perform and observe all of the covenants and requirements of Operator contained in the Consolidation Loan Documents.

2. Manager's Covenants. Manager hereby covenants that Manager will not, without the prior written consent of Lender:

2.1. cancel or terminate the Contract or accept a surrender thereof;

2.2. modify, amend or otherwise change any provision of the Contract, either orally or in writing;

2.3. consent to an assignment of Manager's interest in the Contract which would relieve the Manager (or any guarantor or surety of Manager's performance under the Contract) of liability for the performance of its other obligations thereunder;

2.4. assign, pledge or otherwise encumber any of the Contract.

Any of the above acts, if done without the prior written consent of Lender, shall be null and void. Manager further covenants with Lender that Manager will perform and observe all of the covenants and requirements of Manager contained in the Consolidation Loan Documents.

Manager hereby further covenants and agrees with Lender as follows:

2.5. Manager shall faithfully perform each and every one of its duties and obligations under the Contract, observe, satisfy and comply with each and every term, covenant, condition, agreement, requirement, restriction and provision of the Contract and seek and demand performance under all third party agreements entered into in connection with the Services.

2.6. Manager will not agree to any alteration, modification, amendment to or release or discharge (in whole or in part) of the Contract, nor perform any services in connection with any alteration, modification, or amendment to the Contract, except by agreement in writing signed by Operator, Lender and Manager.

2.7. Manager will promptly provide Lender with copies of all notices of default by Manager to Operator pursuant to the Contract, and no such notice shall be effective for any purpose unless and until a copy of such notice shall have been received by Lender. Manager will not exercise any remedies, including, but not limited to, any right to terminate the Contract, until and unless Manager shall give notice of intention to do so to Lender and Lender shall fail for a period of sixty (60) days to elect to exercise any and all rights and remedies provided to Lender under the Agreement, requiring Manager to perform and complete the Services set forth in the Contract and provided Lender agrees to timely perform all obligations of the Consolidation Borrowers under the Contract.

2.8. Notwithstanding any of the provisions hereof, Lender shall have no obligation in favor of Manager to perform any term, covenant, condition or undertaking contained in the Contract (including, without limitation, the payment of the Fees) unless and until Lender shall have given Manager written notice that it has affirmatively exercised its rights under the Agreement and assumed the Consolidation Borrowers' obligations thereunder.

3. Consent. In the event any lease between the Operator and any owner of the Property is cancelled or terminated, and said owner of the Property succeeds to the interest of Operator in the Contract, Manager hereby consents to the succession of said owner to the Contract, and Manager hereby agrees

to perform the services for the benefit of such owner as if said owner was a party to the Contract.

4. Subordination of Contract and Fees.

4.1. The Contract and Fees are and shall remain subject and subordinate to Lender's rights and interests in the Consolidation Loan Documents and any lien created thereby, including but not limited to, the lien of the Deed of Trust, and to any and all advances made thereunder, and to all amendments, substitutions, extensions, renewals, supplements and other modifications now or hereafter executed with respect thereto, including without limitation modifications that substantially increase the obligations to Lender to which Operator's and Manager's interests are subordinated, said subordination to be with the same effect as though the Consolidation Loan Documents, and any and all such renewals, modifications, amendments, consolidations, replacements and extensions thereto, had been executed, acknowledged, delivered and recorded, and all advances thereunder had been made, prior to the execution, acknowledgment, delivery and recording of the Contract and any notice thereof.

5. Notices. All notices, requests, demands, consents, approvals or other communications given hereunder or in connection herewith shall be in writing, shall be sent by registered or certified mail, return receipt requested, postage prepaid, or by hand delivery or expedited delivery service, delivery charges prepaid and with acknowledged receipt of delivery, shall be deemed given on the date of acceptance or refusal of acceptance shown on such receipt, and shall be addressed to the party to receive such notice at the following applicable address:

If to Operator: DeSoto Community Care Center, LLC
 197 East Oakridge Park
 Metairie, Louisiana 70005
 Attn: John Stassi, II, Manager
 Facsimile: (504) 561-5743

If to Lender: Bank One, NA
 451 Florida Boulevard
 Baton Rouge, Louisiana 70801
 Attn: Michael A. Blue
 Facsimile: (225) 332-7216

With a copy to: Julia H. Terry, Esq.
McGlinchey Stafford, PLLC
643 Magazine Street
New Orleans, Louisiana 70130
Facsimile: (504) 596-2800

If to Manager: Magnolia Management Corporation
Magnolia Management Services, Inc.
763 Avery Boulevard North
Ridgeland, Mississippi 39157
Attn: Ms. Hibernia Dyess
Facsimile: (601) 967-7055

6. Governing Law, Amendment. This Agreement is delivered and intended to be performed in the State of Louisiana and shall be governed and construed in accordance with the laws of said State of Louisiana. This Agreement may only be amended by an instrument in writing executed by the parties hereto.

7. Definitions. Unless otherwise defined herein, all capitalized terms shall have the meaning as set forth in the Loan Agreement.

8. Counterparts. This Agreement may be executed in any number of counterparts which, when taken together as a whole, shall constitute a single instrument.

IN WITNESS WHEREOF, Operator, Lender and Manager have executed this Agreement for the purpose above stated on the day, month and year set forth below, to be effective as of the day, month and year first above written.

ASSIGNOR:

DESOTO COMMUNITY CARE CENTER, LLC

By: 

John A. Stassi, II, Manager

Date: August 26, 2002**LENDER:**

BANK ONE, NA

By: 

Name: Robert P. Schneckenburger, Vice President

Date: 8/26/02**MANAGER:**

MAGNOLIA ANCILLARY SERVICES, INC.

By: 

Bobby L. Beebe, Jr., President

Date: 8-26-2002

MAGNOLIA MANAGEMENT CORPORATION

By: 

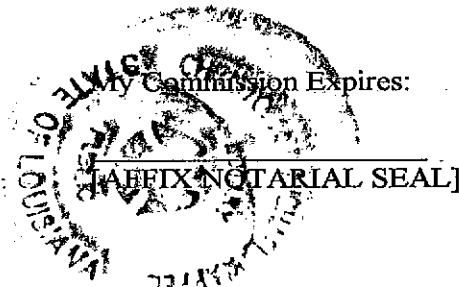
Bobby L. Beebe, Jr., Vice President

Date: 8-26-2002

ACKNOWLEDGMENT

STATE OF LOUISIANA
PARISH OF ORLEANS

Personally appeared before me, the undersigned authority in and for the said Parish and State, on this 24 day of August, 2002, within my jurisdiction, the within named John A. Stassi, II, who acknowledged that he is Manager of DeSoto Community Care Center, LLC, a Mississippi limited liability company, and that for and on behalf of the said limited liability company, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said limited liability company so to do.



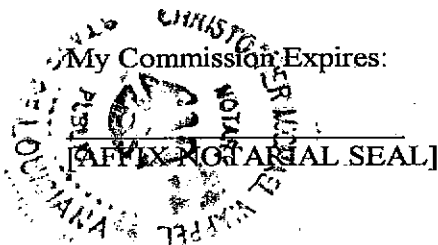
NOTARY PUBLIC

Christopher Michael Wappel, Notary Public
State of Louisiana
My commission is issued for life

ACKNOWLEDGMENT

STATE OF LOUISIANA
PARISH OF ORLEANS

Personally appeared before me, the undersigned authority in and for the said Parish and State, on this 24 day of August, 2002, within my jurisdiction, the within named Robert P. Schneckenburger, who acknowledged that he is Vice President of Bank One, NA, a national banking association, and that for and on behalf of the said association, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said association so to do.



NOTARY PUBLIC

Christopher Michael Wappel, Notary Public
State of Louisiana
My commission is issued for life

ACKNOWLEDGMENT

STATE OF LOUISIANA
PARISH OF ORLEANS

Personally appeared before me, the undersigned authority in and for the said Parish and State, on this 26 day of August, 2002, within my jurisdiction, the within named Bobby L. Beebe, Jr., who acknowledged that he is President of Magnolia Ancillary Services, Inc., a Mississippi corporation, and that for and on behalf of the said corporation, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.


NOTARY PUBLIC

Christopher Michael Wappel, Notary Public
State of Louisiana
My commission is issued for life

My Commission Expires: _____

[AFFIX NOTARIAL SEAL]

ACKNOWLEDGMENT

Personally appeared before me, the undersigned authority in and for the said Parish and State, on this 26 day of August, 2002, within my jurisdiction, the within named Bobby L. Beebe, Jr., who acknowledged that he is Vice President of Magnolia Management Corporation, a Louisiana corporation, and that for and on behalf of the said corporation, and as its act and deed, he executed the above and foregoing instrument, after first having been duly authorized by said corporation so to do.


NOTARY PUBLIC

Christopher Michael Wappel, Notary Public
State of Louisiana
My commission is issued for life

My Commission Expires: _____

[AFFIX NOTARIAL SEAL]

EXHIBIT A**THE PROPERTY**

PART OF SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 33,
T-1-S, R-8-W, DESOTO COUNTY, MISSISSIPPI
MORE PARTICULARLY DESCRIBED AS FOLLOWS, TO WIT:

Commencing at the Southeast Corner of the Southeast Quarter of the Southeast Quarter of said Section, said point being the intersection of the Centerline of Nail Road and Tulane Road;

Thence West a distance of 190.10 feet;

Thence North a distance of 39.22 feet to the North Right-of-Way line of said Nail Road and to the Point of Beginning;

Thence South $89^{\circ}51'30''$ West along said North Right-of-Way line a distance of 485.24 feet;

Thence North $00^{\circ}08'30''$ West a distance of 49.37 feet;

Thence North $25^{\circ}16'00''$ East a distance of 947.30 feet;

Thence North $67^{\circ}41'49''$ East a distance of 80.82 feet to the West Right-of-Way line of Tulane Road, said point being a Curve;

Thence Southerly along said Right-of-Way line of Tulane Road, a Curve to the Right, having a Delta of $17^{\circ}08'32''$, a Radius of 2251.83 feet, a Chord of South $12^{\circ}51'39''$ East 671.22 feet;

Thence South $85^{\circ}40'51''$ West a distance of 150.00 feet;

Thence along a Curve to the Right having a Delta of $04^{\circ}10'39''$, a Radius of 2101.83 feet, a Chord of South $02^{\circ}17'40''$ East 153.21 feet;

Thence South $00^{\circ}08'30''$ East a distance of 116.75 feet to the Point of Beginning and containing 7.45 acres.

EXHIBIT B**DESCRIPTION OF MANAGEMENT AGREEMENT**

“Contract” shall mean that certain Contract entered into effective as of June 1, 2002 but dated May 15, 2002, by and between DeSoto Community Care Center, LLC, as owner, and Magnolia Ancillary Services, Inc., as manager, which Contract was assigned by that certain Partial Agreement of Contract dated July 3, 2002 executed by Magnolia Ancillary Services, Inc., as assignor, in favor of Magnolia Management Corporation, as assignee, which assignment was ratified and confirmed by that certain Confirmation and Ratification of Agreement and Assumption of Contract dated as of August 21, 2002 by and between DeSoto Community Care Center, LLC, Magnolia Ancillary Services, Inc., and Magnolia Management Corporation.